

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>Oakland County Comm Mental Health Auth.</b>	County <b>Oakland</b>
Audit Date <b>9/30/05</b>	Opinion Date <b>11/21/05</b>	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

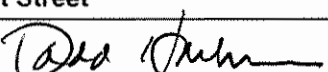
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>Plante &amp; Moran, PLLC</b>			
Street Address <b>111 East Court Street</b>	City <b>Flint</b>	State <b>MI</b>	ZIP <b>48502</b>
Accountant Signature 		Date <b>3-6-06</b>	

**Financial Statements**

**Oakland County  
Community Mental Health Authority**

**Auburn Hills, Michigan**

**September 30, 2005 and 2004**

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## **Letter of Transmittal**

### **History of the Oakland County Community Mental Health Authority**

#### *Public Act 54 of 1963*

In 1963 the Michigan Legislature passed Public Act 54 that permitted counties to establish local, community-based mental health outpatient programs funded by the state and the county. The county of Oakland promptly took advantage of the new legislation, becoming the *first* county in the state of Michigan to establish a community mental health services board. The board held its first meeting on December 13, 1963. It is now one of forty-six (46) such boards covering the eighty-three (83) counties of Michigan.

#### *The Mental Health Code: Public Act 258 of 1974*

The year 1974 saw the publication of the first Michigan Mental Health Code, also known as P.A. 258. Under the code, a county or combination of counties could elect to establish a CMH program, operated under the auspices of a community mental health board consisting of twelve (12) members appointed by the county commissioners for three (3) year overlapping terms. The statute required each CMH Board to submit an annual plan and budget to the Department of Mental Health for approval. The required state financing was changed to an appropriation of 90% state funds with the counties responsible for the remaining ten percent (10%).

With the rise of community-based care, the primary responsibility for providing that care shifted from the state to the CMH's. This transition occurred in stages. In 1981 the then Michigan Department of Mental Health (MDMH) began offering CMH's "shared management" contracts whereby CMH's shared responsibility with the state for planning and coordinating public mental health services. The MDMH also began offering "full management" contracts wherein the entire responsibility for providing public mental health services was shifted to the CMH's. This movement began in 1981 with four (4) full management contracts. Oakland County was one of the *last* to sign a full management contract with the state. Oakland County entered into its first full management contract in 1994. Full management offered "trade off" dollars to build the local CMH budget because the funds that were used to support individuals in institutions were transferred to the CMH which could then use any savings from consumers who moved into the community at less cost than the state facility rates.

#### *The Revised Mental Health Code: Public Act 290 of 1995*

An extensive revision to the Mental Health Code was undertaken in 1995 with Public Act 290 of 1995, which took effect March 28, 1996.

There were four major categories of changes in the revisions to the Mental Health Code:

1. Creation of a Mental Health Authority
2. Improved accountability of system (e.g. certification/accreditation and Person Centered Planning)
3. Significant increase in consumer involvement as demonstrated by the requirement of 1/3 consumers on all CMH boards as well as on the state advisory council.
4. Inclusion of a new chapter regarding due process for recipient rights, including provisions for both local and appeals.

Under the revisions, Community Mental Health Services Programs could be organized as:

A county CMH *agency* which is an existing community mental health board that does not elect to convert itself into a community mental health organization or authority; or a CMH *organization* which is a joint enterprise created by two or more counties under P.A. 7 of 1967, the Urban Cooperation Act, that legally separates the entities from the counties that establish it; an organization is similar to an authority except that it is not available for single county boards and it does not have the same limit to local funding, or

A CMH *authority*.

A CMH *authority* is still a governmental entity but is legally separate from the county or counties that establish it. All employees are employees of the authority and not the county. The authority must be certified by the Michigan Department of Community Health (MDCH) and it can exercise powers not accorded to CMH agencies, such as: acquiring, owning, operating, maintaining, leasing, or selling real or personal property; and acquiring, constructing, maintaining, or operating buildings or improvements.

#### *The Board*

On January 1, 1999, the Oakland County Community Mental Health Services Program became an Authority pursuant to an enabling resolution passed by the Oakland County Board of Commissioners in October 1998.

The current Oakland County Community Mental Health Authority Board is made up of twelve (12) members appointed to staggered three-year terms so that four members' terms expire each year.

#### *Medicaid History*

In the State of Michigan, Medicaid was billed on a Fee for Service (FFS) basis throughout the mid-1980's until October of 1998. The next phase in the devolution of responsibility from the state to the local level occurred in fiscal year 1998-1999 when the state implemented a 1915 (b) waiver in combination with an existing 1915 (c) waiver obtained from the Health Care Financing Administration (HCFA) for managed care for Medicaid enrollees in Michigan. The state carved out most of the mental health benefits and developmental disabilities services to the CMH's from the health plans delivering medical services. The CMH's signed a new kind of contract with the state for this carve out termed a Managed Specialty Services and Supports contract and accepted capitated funding for this managed care program. This Medicaid waiver and resultant contract provides for much greater flexibility in the delivery of services and supports to consumers. This managed care plan is based on the Michigan requirement for person-centered planning, does not allow for waiting lists for the service system, and maintains a "carve out" for specialty services/supports for the populations served under the Mental Health Code.

In 1998, CMH's were referred to as Pre-Paid Health Plans (PHP's) in the "carve out" and this term was maintained through the October 2000 contract renewal process. In 2002, CMH's were required to submit an "Application for Participation" (AFP) for scoring by the Michigan Department of Community Health in order to be considered eligible to qualify as an entity (PIHP, Prepaid Inpatient Health Plan) capable of administering the managed specialty services/supports under the waiver program.

One of the AFP requirements mandated a minimum number of Medicaid eligibles (20,000) in the respective catchment areas in order to submit an AFP. Oakland County CMH Authority qualified with 75,000 Medicaid eligibles and was awarded a successful score of 100% on its AFP and is today one of 18 PIHP's in Michigan.

*Independent Auditors' Report*

To the Board  
Oakland County Community Mental Health Authority  
Auburn Hills, Michigan

We have audited the accompanying business-type activities of Oakland County Community Mental Health Authority, a component unit of Oakland County, as of and for the year ended September 30, 2005, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Oakland County Community Mental Health Authority as of September 30, 2004 were audited by BKR Dupuis & Ryden, whose report dated November 24, 2004 expressed an unqualified opinion on those statements. BKR Dupuis & Ryden subsequently merged into Plante & Moran, PLLC.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oakland County Community Mental Health Authority as of September 30, 2005, and the changes in financial position and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated November 21, 2005, on our consideration of the Oakland County Community Mental Health Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 through 8 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PLANTE & MORAN, PLLC*

November 21, 2005

## **Management's Discussion and Analysis**

### **Analysis of Financial Operations for FY 2005**

The Oakland County Community Mental Health Authority has completed its operations for FY 2004-2005. The results of which are contained in this set of audited financial statements. During FY 2005, OCCMHA continued to operate as a financially strong organization with enough resources to once again devise creative ways of enhancing services to the individuals we serve. The Authority, in partnership with our Core Provider Agencies, expanded and enhanced a variety of services for the consumers we serve. Some of the enhanced/expanded programs included:

- Pharmacy
- Dental
- Case Management Services
- Respite Care
- Community Living Supports
- Additional Outpatient Clinical Services
- Expanded Clubhouse and Peer Delivered Services
- Direct Care Wage Increase

Even with the additional resources allocated to consumer services, the Authority was also able to increase its organizational reserves by nearly \$2,800,000 in FY 2005. The Authority continues to place emphasis on core financial activities to ensure economic stability in the future. Some of these activities are:

- Fiscal internal controls.
- Contract and fiscal monitoring of Core Provider Agencies.
- Utilization management strategies.
- Cost Integrity Group and costing strategies.
- Extensive review and analysis of internal financial information.
- Management practices enhanced by ever improving data history and analytical reporting tools.
- Financing strategies in accordance with our new investment policy.
- Quality assessment strategies.

This helped the Authority increase its organizational net assets to nearly \$26,000,000. The attached Balance Sheet, Statement of Revenue/Expenses and Changes in Fund Net Assets, and Statement of Cash Flows may contain some significant account balance variances from FY 2004 results or from the FY 2005 budget which are explained in the following sections.

### **Financial Statements**

The Authority's financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Fund Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Authority, including resources held by the Authority but restricted for specific purposes by contributors, grantors, or enabling legislation.



## The Balance Sheet and Statement of Revenues, Expenses, and Changes in Fund Net Assets

Our analysis of the Authority's finances begins on page 9. One of the most important questions asked about the Authority's finances is, "Is the Authority as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Fund Net Assets report information about the Authority's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net assets and changes in them. You can think of the Authority's net assets – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases or decreases in the Authority's net assets are one indicator of whether its financial health is improving or deteriorating.

### Balance Sheet

The Balance Sheet is a statement that shows the financial position of an organization at a particular point in time. The net difference between total assets and total liabilities is expressed as net assets. Condensed financial information and accounts with significant variances from the prior year are explained below:

<b>Net Assets</b> <b>(in thousands)</b>		<u>2005</u>	<u>2004</u>
Assets:			
Other assets		\$ 39,451	\$ 45,746
Capital assets – net		4,831	4,937
Total assets		<u>44,282</u>	<u>50,683</u>
Liabilities:			
Other liabilities		15,929	24,782
Long-term liabilities		2,576	2,881
Total liabilities		<u>18,505</u>	<u>27,663</u>
Net assets:			
Restricted		6,208	7,955
Invested in capital			
assets net of debt		1,950	1,765
Unrestricted		17,619	13,300
Total net assets		<u>\$ 25,777</u>	<u>\$ 23,020</u>

**Cash and Investments** decreased by \$2,337,000 in FY 2005 due primarily to the payments of FY 2003 and FY 2004 cost settlements to State.

**Accounts Receivable** decreased \$1,750,000 as a result of payments made to the Authority in FY 2005 by the provider agencies related to prior year cost settlements.

**Due from/to other Funds** consists mostly of funds due to the Internal Service funds for risk established in prior years. The current year change is due to the transfer of interest income from Operations to the Internal Services Funds net of the transfer of \$1.9 million from the Medicaid Internal Service Funds reserve to operations.

**Due from State** decreased \$526,000 related to the write-off of uncollected accrued revenues for the children's waiver program and C waiver retro eligibility.

**Due to other Governmental Units** decreased \$203,000 as result of prior year settlements of the Authority's substance abuse program.

**Due to the State** decreased \$6,615,000 due to the payments by the Authority in FY 2005 to the State for cost settlements for FY 2003 and FY 2004.

**Deferred Revenue** which was related to the FY 2004 revenue carryforward was realized during FY 2005 and an additional \$2.5 million of revenue in FY 2005 was set aside to be carried forward to FY 2006.

#### Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present information showing how the government's net assets changed during the most recent fiscal year.

<b>Changes in Net Assets</b> <b>(in thousands)</b>		
	<u>2005</u>	<u>2004</u>
Revenues:		
Medicaid	\$159,742	\$149,893
Other governmental	56,133	47,840
Oakland County	9,621	9,621
Other	172	870
Total revenues	<u>225,668</u>	<u>208,224</u>
Expenses:		
Administrative	8,779	7,938
Providers of services	191,166	172,218
State facilities	5,469	6,065
Other	17,861	15,540
Depreciation	220	271
Total expenses	<u>223,495</u>	<u>202,032</u>
Non-operating revenues – net	<u>584</u>	<u>56</u>
Change in net assets	<u>\$ 2,757</u>	<u>\$ 6,248</u>

OCCMHA receives the bulk of its revenues from Medicaid capitation payments, State General Funds, and Oakland County local match payments. These revenue sources account for approximately 98% of the total revenue budget. This statement provides stakeholders with an opportunity to examine the differences in the assumptions used to generate the budget compared to what actually occurred during the fiscal year. This report can help identify potential problem areas that should be addressed by management. Budgeted revenues, expenses, and non-operating revenues and expenses are compared to actual revenues and expenses to arrive at a variance. The budget figures used in this report are per the August 2005 budget revision. Significant changes and variances are explained below:

**Medicaid (managed care) Revenues** increased due to base increases in the Medicaid allocation as well as additional funds allocated to Oakland County as part of the new payment methodology and rate structure approved by the Michigan Department of Community Health (MDCH). The Authority also received additional Medicaid revenue (\$1.7 million) related to the Quality Assurance Assessment Program instituted by MDCH in August 2005. (The above also explains the budget variance for Medicaid revenue for the FY 2005.).

**State General Fund Revenue** increased in FY 2005 due to the carryforward of revenue from FY 2004, and the increase in State General Fund utilization. The FY 2005 budget variance is due to the deferring of \$2.5 million of revenue from FY 2005 to FY 2006.

**Other Revenue** showed a net decrease due to the reversal of an overestimated FY 2004 revenue accrual.

**OCCMHA Administration Expenses** increased in FY 2005 due primarily to economic increases. OCCMHA administrative expenses are still below budget for the FYE 2005.

**Net Core Provider Payments** increased in FY 2005 as the result of economic increases and program enhancements instituted by the Authority during the year. These economic increases and enhancements were made to improve the delivery of services to our consumers.

**Community Hospitals Expense** increased due to an 18% increase in days of care. Offsetting this is a 5% increase in the reserve on gross billings in the current year. The increase in the reserve is due to increased write-offs of prior year claims payable as they were not submitted by hospitals for payment in the proper time frame.

**State Facilities Expenses** decreased during FY 2005 by \$596,000 due to a reduction in State Facilities days used.

**Other Expenses** increased due to \$1.7 million of Quality Assessment tax assessed in August and September of 2005.

#### Statement of Cash Flows

The Authority's cash in total decreased \$1.8 million, despite the Authority having an increase in fund net assets of \$2.7 million. The reason for the difference is related to payments to the State during the year for cost settlements included in operating expenses in prior years.

#### Fiscal Year 2006

Significant events planned for FY 2006:

- Evaluating the costing of services for consumers in Oakland County.
- Using recently collected data to improve clinical practices and outcomes for consumer services.
- Monitor effectiveness of approved and implemented service expansions and enhancements.
- Refine fiscal monitoring efforts to continue to improve the quality of financial information at the Authority and with our Core Provider Agencies.
- Planning for FY 2007.

The Authority remains optimistic about its ability to be competitive in the coming years. A critical part of the continued health of the Authority is to:

- Develop strong Utilization Management practices.
- Continuously look for ways to create efficiencies.
- Ensure that consumers have access to necessary services.
- Ensure a balanced budget for the Authority and its core providers.
- Look for ways to maximize other sources of revenue.

The Authority is a fiscally stable, efficient and programmatically effective organization that focuses its resources on the most important aspects of our mission; supporting the advancement of social equity and improved quality of life for adults with serious mental illness, children with serious emotional disturbances, and people with developmental disabilities. We are proud of the progress this organization has made since becoming an Authority in 1999. It is our goal to keep building on this success for this year and many years to come.

#### Contacting the Oakland County Community Mental Health Authority

This financial report is designed to provide all interested parties with an overall picture of the financial condition of the Oakland County Community Mental Health Authority and to show accountability for the money it receives. If you have any questions regarding the content of this report, please contact:

Budget & Finance  
2011 Executive Hills Blvd.  
Auburn Hills, MI 48326  
1-248-858-1210

**Oakland County Community Mental Health Authority**  
**Balance Sheets - Proprietary Fund Types**  
**September 30, 2005 and 2004**

	2005		
	Business Type Activities		
	CMH	Internal	Total
	Operations	Service	
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 8,944,212	\$ -	\$ 8,944,212
Investments	19,989,918	-	19,989,918
Accounts receivable	2,163,513	-	2,163,513
Due from other funds	-	6,046,646	6,046,646
Due from primary government	16,154	11,907	28,061
Due from state	1,706,221	-	1,706,221
Interest receivable	94,046	-	94,046
Prepaid expenses	478,535	-	478,535
Total current assets	33,392,599	6,058,553	39,451,152
Capital assets (net of accumulated depreciation of \$1,566,355 in 2005 and \$1,346,846 in 2004)	4,831,148	-	4,831,148
Total assets	\$ 38,223,747	\$ 6,058,553	\$ 44,282,300
<b>Liabilities and Net Assets</b>			
Liabilities:			
Accounts payable	\$ 4,900,233	\$ -	\$ 4,900,233
Due to other funds	6,046,646	-	6,046,646
Due to other governmental units	-	-	-
Due to state	1,611,085	-	1,611,085
Accrued payroll and benefits	203,839	-	203,839
Accrued interest	79,326	-	79,326
Accrued compensated absences	264,675	-	264,675
Current portion - long term debt	304,748	-	304,748
Deferred revenue	2,518,485	-	2,518,485
Total current liabilities	15,929,037	-	15,929,037
Mortgage payable, net of current portion	2,576,343	-	2,576,343
Total liabilities	18,505,380	-	18,505,380
Net assets:			
Restricted	-	6,058,553	6,058,553
Invested in capital assets, net of related debt	1,950,057	-	1,950,057
Unrestricted	17,768,310	-	17,768,310
Total net assets	19,718,367	6,058,553	25,776,920
Total liabilities and net assets	\$ 38,223,747	\$ 6,058,553	\$ 44,282,300

*See notes to financial statements.*

2004		
Business Type Activities		
CMH Operations	Internal Service	Total
\$ 10,764,224	\$ -	\$ 10,764,224
20,507,295	-	20,507,295
3,913,963	-	3,913,963
-	7,793,089	7,793,089
32,712	11,907	44,619
2,232,463	-	2,232,463
29,510	-	29,510
460,141	-	460,141
37,940,308	7,804,996	45,745,304
4,937,370	-	4,937,370
\$ 42,877,678	\$ 7,804,996	\$ 50,682,674
\$ 5,020,317	\$ -	\$ 5,020,317
7,793,089	-	7,793,089
202,917	-	202,917
8,225,880	-	8,225,880
164,818	-	164,818
87,339	-	87,339
292,260	-	292,260
291,013	-	291,013
2,704,339	-	2,704,339
24,781,972	-	24,781,972
2,881,091	-	2,881,091
27,663,063	-	27,663,063
149,674	7,804,996	7,954,670
1,765,266	-	1,765,266
13,299,675	-	13,299,675
15,214,615	7,804,996	23,019,611
\$ 42,877,678	\$ 7,804,996	\$ 50,682,674

**Oakland County Community Mental Health Authority**  
**Statements of Revenues, Expenses, and Changes**  
**in Fund Net Assets - All Proprietary Fund Types**  
**For the Years Ended September 30, 2005 and 2004**

**2005**

**Business Type Activities**

	<b>CMH Operations</b>	<b>Internal Service</b>	<b>Total</b>
Operating revenues			
Medicaid - specialty managed care capitation	\$158,482,148	\$ -	\$ 158,482,148
Medicaid - child waiver	1,259,674	-	1,259,674
State general fund	45,421,926	-	45,421,926
Adult benefit waiver	2,031,216	-	2,031,216
State facilities	4,917,525	-	4,917,525
Transfer from Oakland County	9,620,616	-	9,620,616
MI child	142,669	-	142,669
Other revenue	172,625	-	172,625
Categorical	489,883	-	489,883
OBRA reimbursement	434,555	-	434,555
Grant revenue	489,880	-	489,880
Title XX	75,409	-	75,409
Substance abuse	2,130,376	-	2,130,376
Total operating revenues	225,668,502	-	225,668,502
Operating expenses			
Program expenses			
Administrative	8,778,895	-	8,778,895
Macomb Oakland Regional Center	113,862,837	-	113,862,837
Training and Treatment Innovations	13,824,886	-	13,824,886
Easter Seals	27,090,319	-	27,090,319
Common Ground Sanctuary	6,114,766	-	6,114,766
Community Housing Network	4,922,647	-	4,922,647
Community Network Services	25,351,479	-	25,351,479
State facilities	5,469,054	-	5,469,054
Community hospitals	8,512,631	-	8,512,631
Substance abuse	1,791,558	-	1,791,558
Purchased care services	3,013,664	-	3,013,664
Grants	489,879	-	489,879
Local match transfer - Medicaid drawdown	2,377,121	-	2,377,121
Quality Assurance Assessment (QAAP)	1,675,913	-	1,675,913
Non-program expenses			
Depreciation	219,509	-	219,509
Total operating expenses	223,495,158	-	223,495,158
Operating income	2,173,344	-	2,173,344
Non-operating revenues (expenses)			
Investment income	528,755	196,921	725,676
Interest expense	(141,711)	-	(141,711)
Total non-operating revenues	387,044	196,921	583,965
Income before transfers	2,560,388	196,921	2,757,309
Transfers	1,943,364	(1,943,364)	-
Change in net assets	4,503,752	(1,746,443)	2,757,309
Net assets - beginning of year	15,214,615	7,804,996	23,019,611
Net assets - end of year	\$ 19,718,367	\$ 6,058,553	\$ 25,776,920

*See notes to financial statements.*

2004		
Business Type Activities		
CMH Operations	Internal Service	Total
\$ 148,372,419	\$ -	\$ 148,372,419
1,520,347	-	1,520,347
36,486,821	-	36,486,821
2,853,305	-	2,853,305
4,873,919	-	4,873,919
9,620,616	-	9,620,616
140,750	-	140,750
870,096	-	870,096
459,110	-	459,110
463,714	-	463,714
525,180	-	525,180
75,409	-	75,409
1,962,259	-	1,962,259
208,223,945	-	208,223,945
7,938,422	-	7,938,422
103,416,208	-	103,416,208
12,677,811	-	12,677,811
23,724,048	-	23,724,048
5,588,273	-	5,588,273
4,557,301	-	4,557,301
22,253,828	-	22,253,828
6,065,144	-	6,065,144
7,514,070	-	7,514,070
1,870,579	-	1,870,579
3,252,765	-	3,252,765
525,180	-	525,180
2,377,121	-	2,377,121
-	-	-
271,197	-	271,197
202,031,947	-	202,031,947
6,191,998	-	6,191,998
122,610	89,053	211,663
(155,189)	-	(155,189)
(32,579)	89,053	56,474
-	-	-
6,159,419	89,053	6,248,472
9,055,196	7,715,943	16,771,139
\$ 15,214,615	\$7,804,996	\$ 23,019,611

**Oakland County Community Mental Health Authority**  
**Statements of Cash Flows - All Proprietary Fund Types**  
**For the Years Ended September 30, 2005 and 2004**

2005			
Business Type Activities			
	CMH Operations	Internal Service	Total
<b>Cash flows from operating activities:</b>			
Cash receipts from the State and other governments	\$ 227,775,898	\$ -	\$ 227,775,898
Cash payments to suppliers	(224,016,593)	-	(224,016,593)
Cash payments to employees	(6,203,810)	-	(6,203,810)
Net cash provided by operating activities	(2,444,505)	-	(2,444,505)
<b>Cash flows from non-capital financing activities:</b>			
Transfers from (to) other funds	196,921	(196,921)	-
Net cash provided by (used in)			
non-capital financing activities	196,921	(196,921)	-
<b>Cash flows used in capital and related financing activities:</b>			
Acquisition of capital assets	(113,287)	-	(113,287)
Principal payments on long-term debt	(291,013)	-	(291,013)
Interest expense	(149,724)	-	(149,724)
Net cash used in capital and related			
financing activities	(554,024)	-	(554,024)
<b>Cash flows from investing activities:</b>			
Investment income	807,778	196,921	1,004,699
Net (purchase) sale of investments	173,818	-	173,818
Net cash provided by (used in)			
investing activities	981,596	196,921	1,178,517
Net increase in cash and cash equivalents	(1,820,012)	-	(1,820,012)
Cash and cash equivalents - beginning of year	10,764,224	-	10,764,224
<b>Cash and cash equivalents - end of year</b>	<b>\$ 8,944,212</b>	<b>\$ - 0 -</b>	<b>\$ 8,944,212</b>
<b>Reconciliation of operating income to net cash used in operating activities</b>			
Operating income	\$ 2,173,344	\$ -	\$ 2,173,344
Adjustments to reconcile operating income			
to net cash provided by operating activities:			
Depreciation	219,509	-	219,509
Changes in operating assets and liabilities			
Accounts receivable	1,750,450	-	1,750,450
Due from governments	542,800	-	542,800
Advances to providers	-	-	-
Prepayments and other assets	(18,394)	-	(18,394)
Accounts payable	(120,084)	-	(120,084)
Due to governments	(6,817,712)	-	(6,817,712)
Accrued liabilities	11,436	-	11,436
Deferred revenue	(185,854)	-	(185,854)
Net cash provided by operating activities	\$ (2,444,505)	\$ - 0 -	\$ (2,444,505)

*See notes to financial statements.*



**2004**  
**Business Type Activities**

<b>CMH Operations</b>	<b>Internal Service</b>	<b>Total</b>
\$ 206,671,130	\$ -	\$ 206,671,130
(188,416,019)	-	(188,416,019)
(5,436,841)	-	(5,436,841)
12,818,270	-	12,818,270
224,872	(224,872)	-
224,872	(224,872)	-
(580,751)	-	(580,751)
(277,896)	-	(277,896)
(162,840)	-	(162,840)
(1,021,487)	-	(1,021,487)
124,103	89,053	213,156
(20,529,982)	-	(20,529,982)
(20,405,879)	89,053	(20,316,826)
(8,384,224)	(135,819)	(8,520,043)
19,148,448	135,819	19,284,267
\$ 10,764,224	\$ - 0 -	\$ 10,764,224
\$ 6,191,998	\$ -	\$ 6,191,998
271,197	-	271,197
(4,258,562)	-	(4,258,562)
212,842	-	212,842
52,821	-	52,821
(117,839)	-	(117,839)
1,336,114	-	1,336,114
6,602,499	-	6,602,499
34,295	-	34,295
2,492,905	-	2,492,905
\$ 12,818,270	\$ - 0 -	\$ 12,818,270

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**1. Summary of significant accounting policies**

The fund financial statements of the Oakland County Community Mental Health Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The more significant of the Authority's accounting policies are described below.

**A. Reporting entity**

The Authority, which is a governmental organization, was created under an agreement as authorized by Public Act 267 of 1976 for the purpose of providing services related to the mental health and developmental disability needs of Oakland County residents. The Authority's activities are funded through state allocations, federal grants, county appropriations, service fees, and local gifts and grants. The Authority's financial statements are included in the County of Oakland's ("County") Comprehensive Annual Financial Report for the year ended September 30, 2005 as a discretely presented component unit.

The Authority receives its revenues through state allocations as follows:

	<u>2005</u>	<u>2004</u>
General fund	23%	21%
Medicaid	71	72
	<u>94%</u>	<u>93%</u>

**B. Financial statement presentation**

In 2002, the Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Under GASB 34, the Authority is classified as a special purpose government and is required to present statements required for enterprise funds.

The Authority has one internal service fund (operating risk management fund) and an enterprise fund (CMH operating fund). Since the measurement focus/basis of accounting is similar between enterprise and internal service funds, a government-wide financial statement and fund financial statement would present duplicate information, therefore, a separate government-wide statement has not been presented.

**C. Fund accounting**

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

**Proprietary Funds**

*Enterprise Fund* – The CMH operations fund is used to account for those activities that are financed and operated in a manner similar to private business or where the Authority has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. There is one Enterprise Fund of the Authority which accounts for their general operations.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

1. **Summary of significant accounting policies – (continued)**

C. Fund accounting – (continued)

**Proprietary Funds – (continued)**

*Internal Service Fund* –The Operating Risk Management Fund is the Authority's Internal Service Fund. It accounts for any transactions related to the annual contractual funding requirements of the Medicaid portion of the state contract.

D. Basis of accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

The proprietary funds are accounted for on a cost of services or "economic resources" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decrease (expenses) in net total assets.

E. Cash and cash equivalents

Cash and cash equivalents include depository accounts, and a institutional money market accounts. For cash flow purposes, the Authority considers short-term investments with a maturity date of less than 90 days at the time of acquisition to be cash and cash equivalents.

F. Investments

Investments are stated at fair value (based on quoted market prices) which approximates cost.

G. Interfund receivables/payables

During the course of operations, transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Accounts receivable

Uncollectible receivables are expected to be immaterial and no allowance has been reserved.

I. Prepaid expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses in the accompanying balance sheet.

J. Fixed assets

Assets purchased whose value exceeds \$5,000 are capitalized and reported in the proprietary fund types. All purchased fixed assets are recorded at cost. Donated fixed assets, if any, are valued at their estimated fair value on the date received. Fixed assets are being depreciated on a straight-line basis over estimated useful lives of five to thirty years.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**1. Summary of significant accounting policies – (continued)**

**K. Compensated absences**

The Authority provides three types of compensated absences; vacation, sick, and personal time. Accumulated compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expense and liability.

**L. Governmental Accounting Standards Board Statement 20**

In accordance with Governmental Accounting Standards Board (GASB) Statement 20, the Authority has elected not to apply the Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 to its proprietary funds.

**M. Estimate s**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**N. Reclassifications**

Certain September 30, 2004 accounts have been reclassified in order to conform to the September 30, 2005 presentation.

**2. Deposits and investments**

The captions on the financial statements for the deposits and investment accounts are as follows:

	<u>Deposits</u>	
	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$8,944,212	\$10,764,224
Investments	19,989,918	20,507,295
	<u>\$28,934,130</u>	<u>\$31,271,519</u>

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**2. Deposits and investments – (continued)**

The Authority has currently designated one bank for the deposit of its funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in all the items listed above except the mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Authority's deposits and investment policies are in accordance with statutory authority.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk is that all securities transactions, except certificates of deposits, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian, as designated by the Authority, and shall be evidenced by a safekeeping receipt. Non-collateral, non-negotiable certificates of deposits, as allowed under Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank. At year end, the Authority had \$9,491,865 of bank deposits (money market, checking and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the city evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial credit risk of investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's policy for custodial credit risk is that that all securities transactions, except certificates of deposits, shall be conducted on a delivery-versus-payment basis. Securities will be held by a third party custodian, as designated by the Authority, and shall be evidenced by a safekeeping receipt. Non-collateral, non-negotiable certificates of deposits, as allowed under Michigan law, shall be evidenced by a safekeeping receipt from the issuing bank. At September 30, 2005, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
Fannie Mae notes	\$9,093,339	Counterparty
Federal Home Loan Bank notes	4,072,238	Counterparty
Freddie Mac notes	6,824,341	Counterparty
	<u>\$19,989,918</u>	

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**2. Deposits and investments – (continued)**

Interest rate risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy states that the Authority will not directly invest in securities that mature more than three years from the date of purchase unless matched to a specific cash flow need. Funds with longer term horizons may be invested in securities exceeding the three-year limitation provided that maturity dates coincide as near as possible with the expected use of the funds. As of September 30, 2005, the average maturities of investments are as follows:

<u>Investment Type</u>	<u>Investment Maturities</u>		
	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Three Years</u>
Fannie Mae notes	\$ 9,093,339	\$3,471,103	\$ 5,622,236
Federal Home Loan Bank notes	4,072,238	2,231,813	1,840,425
Freddie Mac notes	6,824,341	2,532,160	4,292,181
	<u>\$19,989,918</u>	<u>\$8,235,076</u>	<u>\$11,754,842</u>
	100.0%	41.2%	58.8%

Credit risk:

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. Authority's investment policy further limits its investment choices to those with a market rate of return during an economic and budgetary environment of stable rates. As of September 30, 2005, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Fannie Mae notes	\$ 9,093,339	Aaa	Moody's
Federal Home Loan notes	4,072,238	Aaa	Moody's
Freddie Mac notes	6,824,341	Aaa	Moody's
	<u>\$19,989,918</u>		

Concentration of credit risk:

The Authority's investment policy limits any single security type to 40% of the investment portfolio, with the exception of U.S. treasury securities and federal agency securities. The policy also limits the investment portfolio to no more than 20% of its deposits and investments with a single commercial bank. As of September 30, 2005, the Authority has 31% of its total deposits and investments with Fifth Third Bank. As of September 30, 2005, the Authority had 20.37% of its investments in Federal Home Loan Bank notes and 34.14% of its investments in Freddie Mac notes.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**3. Capital assets**

The capital assets additions, retirements, and balances in the Authority's enterprise fund for the years ended September 30, 2005 and 2004 are as follows:

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Capital assets being depreciated:				
Computer equipment	\$ 1,484,848	\$121,100	\$ -	\$ 1,605,948
Furniture, fixtures, and equipment	58,794	-	-	58,794
Building	2,611,000	-	-	2,611,000
Building renovations	1,290,574	-	(7,813)	1,282,761
Subtotal	5,445,216	121,100	(7,813)	5,558,503
Less accumulated depreciation	(1,346,846)	(219,509)	-	(1,566,355)
Net capital assets being depreciated	4,098,370	(98,409)	(7,813)	3,992,148
Land	839,000	-	-	839,000
Net capital assets	<u>\$ 4,937,370</u>	<u>\$(98,409)</u>	<u>\$ (7,813)</u>	<u>\$ 4,831,148</u>

	Balance September 30, 2003	Additions	Retirements	Balance September 30, 2004
Capital assets being depreciated:				
Computer equipment	\$ 1,421,017	\$ 63,831	\$ -	\$ 1,484,848
Furniture, fixtures, and equipment	-	58,794	-	58,794
Building	2,611,000	-	-	2,611,000
Building renovations	832,448	458,126	-	1,290,574
Subtotal	4,864,465	580,751	-	5,445,216
Less accumulated depreciation	(1,075,649)	(271,197)	-	(1,346,846)
Net capital assets being depreciated	3,788,816	309,554	-	4,098,370
Land	839,000	-	-	839,000
Net capital assets	<u>\$ 4,627,816</u>	<u>\$ 309,554</u>	<u>\$ -0-</u>	<u>\$ 4,937,370</u>

**4. Defined contribution pension plans**

The Authority participates in a qualified defined contribution pension plan under IRS Code Section 401(a) managed and administered by the I.C.M.A. Retirement Corporation. This pension plan was established by the Authority to provide benefits at retirement to the Authority's employees. Plan members are not required to contribute to the plan but have the option of contributing up to 5% of covered salary depending on the date of hire, transfer from Oakland County and union contracts. The Authority is required to contribute from 5% to 6% of covered payroll. Contributions made by the Authority progressively vest over seven years. Plan provisions and contribution requirements are established and may be amended by the Authority. Employer and employee contributions were made in the amount of \$254,342 and \$54,820, respectively, for the fiscal year ending September 30, 2005 and \$238,152 and \$51,609, respectively, for the fiscal year ending September 30, 2004.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**4. Defined contribution pension plans – (continued)**

The Authority has also elected to participate in a qualified defined contribution pension plan under IRS Code Section 401(a) in lieu of social security contributions for full-time and eligible part-time employees. The plan is managed and administered by I.C.M.A. Retirement Corporation. The plan requires contributions from qualified employees at a rate of 6.2% and a matching contribution from the Authority at a rate of 6.2%. Plan provisions and contribution requirements are established and may be amended by the Authority. Both employee and employer contributions are 100% vested at the time of contribution. Employer and employee contributions were made in the amounts of \$272,131 and \$253,523 for the years ending September 30, 2005 and September 30, 2004, respectively.

**5. Risk management**

The Authority is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (worker's compensation), as well as medical benefits provided to employees. During the year ended September 30, 2005 and 2004, the Authority carried commercial insurance to cover all risk of losses, except for employee medical benefits, for which the Authority is self-insured. Previously, the Authority was covered through the County of Oakland's self-insurance plan. The Authority has had no settled claims resulting from these risks that exceeded their commercial coverage in the past four years.

In addition to these coverages, the Authority has established an internal service fund to cover any potential operating shortfalls under the terms of its contract with the Michigan Department of Community Health.

The Authority is self-insured for employee medical benefits. The Authority has a stop loss insurance policy of \$100,000 per specific claim per year/\$400,000 aggregate.

**6. Long-term debt**

	Balance September 30, <u>2004</u>	Additions (Reductions)	Balance September 30, <u>2005</u>
Mortgage loan with a finance company payable in annual installments of \$440,736, including interest at 4.72%, secured by building, improvements, and real estate, due on March 10, 2013	\$3,172,104	\$(291,013)	\$2,881,091
Less current portion	<u>291,013</u>	<u>13,735</u>	<u>304,748</u>
	<u>\$2,881,091</u>	<u>\$(304,748)</u>	<u>\$2,576,343</u>
	Balance September 30, <u>2003</u>	Additions (Reductions)	Balance September 30, <u>2004</u>
Mortgage loan with a finance company payable in annual installments of \$440,736, including interest at 4.72%, beginning March 2004, secured by building, improvements, and real estate, due on March 10, 2013	\$3,450,000	\$(277,896)	\$3,172,104
Less current portion	<u>277,896</u>	<u>13,117</u>	<u>291,013</u>
	<u>\$3,172,104</u>	<u>\$(291,013)</u>	<u>\$2,881,091</u>



**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**6. Long-term debt – (continued)**

The annual requirements to pay principal and interest on the outstanding obligations at September 30, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 304,748	\$135,988	\$ 440,736
2007	319,133	121,603	440,736
2008	334,195	106,541	440,736
2009	349,969	90,767	440,736
2010	366,488	74,248	440,736
2011 and after	1,206,558	115,649	1,322,207
	<u>\$2,881,091</u>	<u>\$644,796</u>	<u>\$3,525,887</u>

**7. Risk reserve fund net assets**

Contributions to the Risk Reserve Internal Service Funds are considered eligible expenses under the MDCH contract, and accordingly are included on the Combined Statement of Revenue, Expenses, and Changes in Fund Net Assets in the various expenses categories. During the year ended September 30, 2005 \$1,943,364 of the funds in the Operating Risk Reserve Internal Service Fund were transferred to the CMH Operation Fund and utilized for program expenses during the year.

**8. Due to/from other funds**

The Authority has the following interfund receivables and payable at September 30, 2005 and 2004:

	<u>2005</u>		<u>2004</u>	
	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Fund – CMH Operations	\$ -	\$6,046,646	\$ -	\$7,793,089
Internal Service Fund:				
Operating Risk Reserve	6,046,646	-	7,793,089	-
Total	<u>\$6,046,646</u>	<u>\$6,046,646</u>	<u>\$7,793,089</u>	<u>\$7,793,089</u>

**9. State general fund revenue**

In 2004, there existed State General Fund program funds received in excess of General Fund program expenses by approximately \$8.4 million. Of the excess, \$2.5 million is allowed to be retained by the Authority for future program needs while the remaining \$5.9 million will be returned to the State. These amounts are reflected as liabilities at September 30, 2004. In 2005, the \$2.5 million of General Funds retained by the Authority from 2004 was used for program needs and is included in operating revenues for the year ended September 30, 2005.

In 2005, there existed State General Fund program funds received in excess of General Fund program expenses by approximately \$2.5 million. The excess is allowed to be retained by the Authority for future program needs. This amount is reflected as deferred revenue at September 30, 2005.

**Oakland County Community Mental Health Authority**  
**Notes to Financial Statements**  
**September 30, 2005 and 2004**

**10. Subsequent event**

Subsequent to September 30, 2005, the Authority received from the State a Quality Assurance Assessment Program (QAAP) payment in the amount of \$1,695,242 related to the Medicaid enrollment files for months of August and September 2005. Related to this payment, the Authority was required to remit back to the State \$1,675,913. The net of these payment amounts has been reflected as an asset as of September 30, 2005 and the QAAP payment to be received is included in Medicaid revenue and the QAAP amount to be paid out of the general fund is included in operating expenses for the year ended September 30, 2005.

## Supplemental Information

**Oakland County Community Mental Health Authority**  
**Statements of Revenues, Expenses, and Changes**  
**in Fund Net Assets - Enterprise Fund**  
**Budget to Actual**  
**For the Years Ended September 30, 2005 and 2004**

	2005		
	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenues			
Medicaid - specialty managed care capitation	\$ 155,131,369	\$ 158,482,148	\$ 3,350,779
Medicaid - child waiver	1,559,844	1,259,674	(300,170)
State general fund	47,889,078	45,421,926	(2,467,152)
Adult benefit waiver	2,259,423	2,031,216	(228,207)
State facilities	4,917,525	4,917,525	-
Transfers from Oakland County	9,620,616	9,620,616	-
MI child	140,088	142,669	2,581
Other revenue	47,943	172,625	124,682
Categorical	489,883	489,883	-
OBRA reimbursement	387,474	434,555	47,081
Grant revenue	561,315	489,880	(71,435)
Title XX	75,408	75,409	1
Substance abuse	2,100,702	2,130,376	29,674
Total operating revenues	225,180,668	225,668,502	487,834
Operating expenses			
Program expenses			
OCCMHA administration	9,376,840	8,778,895	597,945
Macomb Oakland Regional Center	112,700,596	113,862,837	(1,162,241)
Training and Treatment Innovations	14,421,698	13,824,886	596,812
Easter Seals	27,923,902	27,090,319	833,583
Common Ground Sanctuary	6,901,216	6,114,766	786,450
Community Housing Network	4,906,536	4,922,647	(16,111)
Community Network Services	25,571,659	25,351,479	220,180
State facilities	5,901,960	5,469,054	432,906
Community hospitals	9,155,924	8,512,631	643,293
Substance abuse	2,014,920	1,791,558	223,362
Purchased care services	3,740,295	3,013,664	726,631
Grants	561,315	489,879	71,436
Local match transfer - Medicaid drawdown	2,377,116	2,377,121	(5)
Quality Assurance Assessment (QAAP)	-	1,675,913	(1,675,913)
Non-program expenses			
Depreciation	134,984	219,509	(84,525)
Total operating expenses	225,688,961	223,495,158	2,193,803
Operating income	(508,293)	2,173,344	2,681,637
Non-operating revenues (expenses)			
Interest income	650,004	528,755	(121,249)
Interest expense	(141,711)	(141,711)	-
Total non-operating revenues	508,293	387,044	(121,249)
Income before transfers	-	2,560,388	2,560,388
Transfers	-	1,943,364	1,943,364
Change in net assets	-	4,503,752	4,503,752
Net assets - beginning of year	15,214,615	15,214,615	-
Net assets - end of year	\$ 15,214,615	\$ 19,718,367	\$ 4,503,752

2004		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 149,126,001	\$ 148,372,419	\$ (753,582)
1,200,000	1,520,347	320,347
44,518,632	36,486,821	(8,031,811)
2,700,000	2,853,305	153,305
4,874,559	4,873,919	(640)
9,620,616	9,620,616	-
138,000	140,750	2,750
6,000	870,096	864,096
50,000	459,110	409,110
523,371	463,714	(59,657)
632,451	525,180	(107,271)
75,409	75,409	-
1,936,814	1,962,259	25,445
215,401,853	208,223,945	(7,177,908)
8,874,596	7,938,422	936,174
105,512,921	103,416,208	2,096,713
12,773,974	12,677,811	96,163
23,463,401	23,724,048	(260,647)
5,702,993	5,588,273	114,720
4,871,665	4,557,301	314,364
21,947,576	22,253,828	(306,252)
6,867,859	6,065,144	802,715
6,612,055	7,514,070	(902,015)
1,775,000	1,870,579	(95,579)
3,187,787	3,252,765	(64,978)
648,033	525,180	122,853
2,377,121	2,377,121	-
623,749	271,197	352,552
205,238,730	202,031,947	3,206,783
10,163,123	6,191,998	(3,971,125)
160,000	122,610	(37,390)
(155,189)	(155,189)	-
4,811	(32,579)	(37,390)
10,167,934	6,159,419	(4,008,515)
-	-	-
10,167,934	6,159,419	(4,008,515)
9,055,196	9,055,196	-
\$ 19,223,130	\$ 15,214,615	\$ (4,008,515)

**Oakland County Community Mental Health Authority**  
**Schedules of Administrative Expenses - Enterprise Fund**  
**Budget to Actual**  
**For the Years Ended September 30, 2005 and 2004**

	<b>2005</b>		<b>Variance</b>
	<b>Budget</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
Salaries and benefits	\$ 6,445,552	\$ 6,215,246	\$ 230,306
Accreditation	35,000	15,719	19,281
Advertising	14,000	26,594	(12,594)
Accounting and auditing services	40,000	65,449	(25,449)
Communications	89,545	52,055	37,490
Contracted services	43,850	41,904	1,946
Consulting services	697,360	696,723	637
Consumer initiatives	24,000	17,352	6,648
Copier charges	35,016	49,438	(14,422)
Expendable furniture and equipment	414,523	224,033	190,490
Memberships, dues, and publications	26,096	31,320	(5,224)
Information systems operations	154,000	47,219	106,781
Insurance	150,000	158,931	(8,931)
Legal services	155,000	74,507	80,493
Licenses and permits	35,059	99,304	(64,245)
Medical exams	384	300	84
Mileage	28,739	34,526	(5,787)
Miscellaneous	-	10,764	(10,764)
Per diems and fees	204,751	89,634	115,117
Postage	38,100	44,369	(6,269)
Printing	44,100	81,910	(37,810)
Provisions	32,556	19,194	13,362
Rent	-	-	-
Repairs and maintenance	327,050	378,103	(51,053)
Supplies	65,659	64,539	1,120
Transportation	11,500	9,548	1,952
Travel and conference	30,500	40,261	(9,761)
Training	170,500	121,997	48,503
Utilities	64,000	67,956	(3,956)
Total administrative expense	\$ 9,376,840	\$ 8,778,895	\$ 597,945

2004		
Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,931,656	\$ 5,471,136	\$ 460,520
15,000	-	15,000
22,800	9,419	13,381
65,000	60,036	4,964
135,788	76,278	59,510
286,200	354,895	(68,695)
600,400	640,588	(40,188)
24,000	15,034	8,966
35,284	36,072	(788)
502,942	245,777	257,165
26,300	25,404	896
-	10,030	(10,030)
110,000	147,968	(37,968)
200,000	168,541	31,459
-	92,793	(92,793)
260	260	-
31,610	24,080	7,530
-	1,432	(1,432)
25,000	22,342	2,658
38,316	37,575	741
45,600	60,842	(15,242)
30,350	24,046	6,304
255,774	34,046	221,728
168,550	99,146	69,404
43,500	60,369	(16,869)
9,050	11,337	(2,287)
39,000	67,631	(28,631)
193,850	78,878	114,972
38,366	62,467	(24,101)
<u>\$ 8,874,596</u>	<u>\$ 7,938,422</u>	<u>\$ 936,174</u>

**Federal Awards  
Supplemental Information**

**Oakland County  
Community Mental Health Authority**

**September 30, 2005**



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## Independent Auditor's Report

To the Members of the Board  
Oakland County Community Mental Health Authority  
Auburn Hills, Michigan

We have audited the basic financial statements of Oakland County Community Mental Health Authority for the year ended September 30, 2005, and have issued our report thereon dated November 21, 2005. Those basic financial statements are the responsibility of the management of Oakland County Community Mental Health Authority. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Oakland County Community Mental Health Authority as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PLANTE & MORAN, PLLC

November 21, 2005

Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

To the Members of the Board  
Oakland County Community Mental Health Authority  
Auburn Hills, Michigan

We have audited the financial statements of the Oakland County Community Mental Health Authority as of and for the year ended September 30, 2005, and have issued our report thereon dated November 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Oakland County Community Mental Health Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Oakland County Community Mental Health Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the Authority Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PLANTE & MORAN, PLLC*

November 21, 2005

Report on Compliance with Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

To the Members of the Board  
Oakland County Community Mental Health Authority  
Auburn Hills, Michigan

### Compliance

We have audited the compliance of the Oakland County Community Mental Health Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005. The major program of Oakland County Community Mental Health Authority is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Oakland County Community Mental Health Authority's management. Our responsibility is to express an opinion on Oakland County Community Mental Health Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oakland County Community Mental Health Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Oakland County Community Mental Health Authority's compliance with those requirements.

In our opinion, the Oakland County Community Mental Health Authority complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

### Internal Control over Compliance

The management of the Oakland County Community Mental Health Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Oakland County Community Mental Health Authority's internal control over compliance with requirements that could have a

direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, the Authority Board, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*PLANTE & MORAN, PLLC*

November 21, 2005

**Oakland County Community Mental Health Authority**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2005**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Receivable 9/30/04</u>	<u>Receipts</u>
U.S. Department of Housing and Urban Development: Passed through the Michigan Department of Community Health: Shelter Plus Care	14.238	\$ 18,633	\$ 93,828
U.S. Department of Health and Human Services: Passed through the Michigan Department of Community Health: PATH Grant	93.150	40,240	116,508
Block Grants for Community Mental Health Services:			
Arab-American and Chaldean Mental Illness and Treatment Anti-Stigma Project	93.958	-	48,641
F.A.I.R. Drop-In Center Enhancement	93.958	-	3,069
Comfort Zone Unlimited Drop-In Center Enhancement	93.958	-	5,101
Empowerment Zone: Consumer Run Education Program	93.958	-	9,695
Respite Services	93.958	-	12,926
Anti-Stigma Community Education Initiative	93.958	-	-
Enhancement to Services to Russian- Speaking Population	93.958	-	4,811
Enhancement to Pre-Booking Jail Diversion	93.958	-	797
Freedom Road	93.958	-	12,692
MCET	93.958	34,841	34,841
Commercial Kitchen Appliances	93.958	17,535	17,535
Homeless Population	93.958	6,624	6,624
Innovation in Jail Diversion	93.958	-	-
Freedom Road Transportation	93.958	6,940	6,940
Anti-Stigma Project	93.958	42,413	42,413
Environment and Activity Enhancement	93.958	1,977	1,977
Anti-Stigma Community Education	93.958	40,098	42,160
Total		150,428	250,222
Medical Assistance Program: OBRA/PASARR	93.778	44,623	297,390
Total federal expenditures		\$253,924	\$757,948

*See notes to schedule of expenditures of federal awards.*

<u>Disbursements</u>	<u>Receivable 9/30/05</u>
<u>\$130,795</u>	<u>\$ 55,600</u>
<u>101,511</u>	<u>25,243</u>
69,939	21,298
3,069	-
5,101	-
17,840	8,145
12,926	-
56,067	56,067
8,973	4,162
797	-
15,929	3,237
-	-
-	-
-	-
6,235	6,235
-	-
-	-
-	-
2,062	-
<u>198,938</u>	<u>99,144</u>
<u>325,916</u>	<u>73,149</u>
<u>\$757,160</u>	<u>\$253,136</u>



**Oakland County Community Mental Health Authority**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2005**

**1. Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Oakland County Community Mental Health Authority and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**2. Reconciliation to fund financial statements**

Revenue per fund financial statements:

OBRA reimbursement	\$434,555
Grant revenue	<u>489,880</u>
	924,435
State funding of OBRA reimbursement and grants	<u>167,275</u>
Federal revenue per schedule of federal awards	<u><u>\$757,160</u></u>

**3. Subrecipient**

During 2005, \$757,160 of the federal funding was expended by subrecipients.

**Oakland County Community Mental Health Authority  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued:	<u>Unqualified</u>	
Going concern explanatory paragraph included	_____ Yes	_____ <u>X</u> No
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No

Federal Awards

Internal control over major program(s):		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Reportable condition(s) identified that are not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None reported
Type of auditor's report issued on compliance for major programs:	<u>Unqualified</u>	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_____ Yes	_____ <u>X</u> No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.778	Medical Assistance Program - OBRA/PASARR

Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	_____ <u>X</u> Yes      _____ No

(continued)

**Oakland County Community Mental Health Authority  
Schedule of Findings and Questioned Costs – (continued)  
For the Year Ended September 30, 2005**

**Section II – Financial Statement Auditing Findings**

Findings relating to the financial statements reported in accordance with *Governmental Auditing Standards*:

None

**Section III – Federal Program Audit Findings**

Findings and questioned costs relating to federal awards:

None

**Oakland County Community Mental Health Authority  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2005**

There were no prior year audit findings.